Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 CAIRO 04887 221653Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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C O N F I D E N T I A L CAIRO 4887

EXDIS

E.O. 11652: GDS
TAGS: ETRD EINV EG
SUBJ: FORD MOTOR COMPANY INVESTMENT PROPOSAL

REF: (A) STATE 063042, (B) CAIRO 3746

1. SUMMARY. INVESTMENT AUTHORITY DEPUTY CHAIRMAN ABDEL MEGUID TOLD EMBOFFS MARCH 22 THAT FORD PROPOSAL AND OTHERS WOULD DEFINITELY BE "APPROVED" BY AUTHORITY AT MARCH 27 BOARD MEETING. APPROVAL OF FORD PROJECT WOULD, IN EFFECT, BE CONDITIONAL, SINCE FINAL TERMS HAVE NOT BEEN AGREED UPON. MEGUID APPARENTLY SEES THIS AS WAY OF PRESSURING COMPANY TO COME UP WITH OFFER MORE ADVANTAGEOUS TO GOE.

2. IN CONVERSATION WITH ECON COUNS AND COMATT MARCH 22, JUST PRIOR TO RECEIPT REFTEL A, INVESTMENT AUTHORITY DEPUTY CHAIRMAN ABDEL MEGUID STATED POSITIVELY THAT FORD PROPOSAL, AS WELL AS THOSE MADE BY COCA COLA, XEROX, AND COLGATE-PALMOLIVE, WOULD BE APPROVED AT MARCH 27 MEETING OF AUTHORITY'S BOARD. GOODYEAR PROJECT (NOT BOYCOTT-RELATED) AND 80 OTHER PENDING PROPOSALS WOULD BE APPROVED AT SAME TIME. OVERALL IDEA WAS TO PROVIDE CONCRETE EVIDENCE OF FORWARD MOVEMENT IN GOE'S "OPEN DOOR" POLICY WHICH COULD BE ANNOUNCED ON EVEN OF SADAT
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VISIT TO US. (MORE DETAILS ON ASPECTS OF DICSUSSION NOT RELATED TO FORD FOLLOW BY SEPTEL.)

3. WITH RESPECT TO FORD, ABDEL MEGUID INDICATED THAT MOST RECENT PROPOSAL TABLED BY COMPANY WAS INADEQUATE IN TERMS OF ADVANTAGE OF GAINING ACCESS TO "BILLION DOLLAR" ARAB MARKET. HE DID NOT DETAIL WHAT HE REGARDED

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AS INADEQUACIES OF PROPOSAL, BUT PREVIOUS REPORTING
(REF B) INDICATES GOE CONCERN ABOUT SIZE OF COMPANY'S
EQUITY SHARE AND MEGUID'S SPECIFIC INTEREST IN OBTAINING
FOR THE EGYPTIAN JOINT VENTURE, MARKETING RIGHTS FOR
FORD PRODUCTS THROUGHOUT THE MIDDLE EAST. FOREIGN
EXCHANGE REQUIREMENT OF PROJECT AS WELL AS DETAILS SUCH
AS THOSE NOTED PARA 2 REF A, ALSO REMAIN TO BE RESOLVED.
GOE "APPROVAL", MEGUID INDICATED, WOULD THEREFORE IN
EFFECT BE CONDITIONAL UPON REACHING OF FINAL AGREEMENT
BETWEEN THE PARTIES.

4. MEGUID GAVE CLEAR IMPRESSION IN CONVERSATION THAT HE
REGARDS GOE ANNOUNCEMENT OF "APPROVAL" FOR FORD
PROJECT AS WAY OF PRESSURING COMPANY TO COME UP WITH
PROPOSAL MORE ADVANTAGEOUS TO GOE. AS WE SEE IT,
APPROVAL ANNOUNCEMENT, HOWEVER QUALIFIED, WOULD INDEED
"PUT BALL IN FORD'S COURT" AND WOULD FORCE COMPANY
TO ACCEPT SHARE (IF NOT MAJOR PORTION) OF RESPONSIBILITY
IF FINAL AGREEMENT FAILS TO EMERGE. WE WOULD NOT
EXPECT EGYPTIANS TO BE RETICENT ABOUT BLAMING COMPANY
(AND PERHAPS CRITICIZING THE INFLEXIBILITY AND
COVETOUSNESS OF FOREIGN PRIVATE INVESTORS IN GENERAL)
IF DEAL DOES FALL THROUGH AFTER GOE HAS TAKEN " RISK"
OF PUBLICLY " APPROVING" PROPOSAL BY BOYCOTTED FIRM.

5. WE OBVIOUSLY DO NOT KNOW WHAT COPANY'S REACTION
WILL BE. WE WILL ATTEMPT TO OBTAIN ADDITIONAL DETAILS
FROM LOCAL FORD REP, OUROUSOFF, WHO HAS APPOINTMENT
TO SEE MEGUID, AND WOULD APPRECIATE ANY INFORMATION
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DEPARTMENT MAY LEARN FROM FORD OFFICIALS IN US.
MATTHEWS

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Message Attributes

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Disposition Action: RELEASED
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